

**REPORT OF THE AUDIT OF THE
KENTON COUNTY
CLERK**

**For The Year Ended
December 31, 2007**



**CRIT LUALLEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
KENTON COUNTY CLERK

For The Year Ended
December 31, 2007

The Auditor of Public Accounts has completed the Kenton County Clerk's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the State for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Kenton County Clerk had total revenues of \$33,347,486, which was a \$2,457,940 increase from the prior year. Except for reimbursed expenses in the amount of \$152,161, the clerk paid 25% of revenues to the Kenton County Fiscal Court in the amount of \$804,663. This was an increase of \$132,038 from the prior year. In addition, expenditures increased by \$1,995,150.

Report Comment:

- The County Clerk's Office Should Reconcile Daily Branch Reconciliation Reports To The Monthly Receipts Ledger

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ralph Drees, Kenton County Judge/Executive
Honorable Rodney Eldridge, Kenton County Clerk
Members of the Kenton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Kenton County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2007. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and County fund with the State Treasurer for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2008 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Ralph Drees, Kenton County Judge/Executive
Honorable Rodney Eldridge, Kenton County Clerk
Members of the Kenton County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Clerk's Office Should Reconcile Daily Branch Reconciliation Reports To The Monthly Receipts Ledger

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Kenton County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

December 5, 2008

KENTON COUNTY
 RODNEY ELDRIDGE, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

State Fees For Services	\$	52,425
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Fiscal Court		20,170
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 3,651,970	
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Usage Tax	13,241,077	
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Tangible Personal Property Tax	12,060,578	
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City Fees	180,192	
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Other-

Marriage Licenses	47,701	
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Occupational Licenses	6,242	
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Deed Transfer Tax	663,797	
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Delinquent Taxes	271,435	
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Redeemed Tax Bills	1,759,601	31,882,593
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	121,726	
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Real Estate Mortgages	465,119	
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Chattel Mortgages and Financing Statements	252,413	
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Powers of Attorney	9,308	
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All Other Recordings	339,585	
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Charges for Other Services-

Copywork	25,085	1,213,236
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Other:

Postage	79,223	
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IRS Direct Deposit	4,104	
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Miscellaneous	42,912	126,239
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Interest Earned		52,823
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Total Revenues		\$33,347,486
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The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
 RODNEY ELDRIDGE, COUNTY CLERK
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
 For The Year Ended December 31, 2007
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 2,498,418

Usage Tax 12,841,351

Tangible Personal Property Tax 3,793,458

Licenses, Taxes, and Fees-

Delinquent Tax 27,664

Legal Process Tax 141,176

Affordable Housing Trust 227,028

Redeemed Tax Bills 1,363,758 \$ 20,892,853

Payments to Fiscal Court:

Tangible Personal Property Tax 1,209,805

Delinquent Tax 27,204

Deed Transfer Tax 630,606

Occupational Licenses 3,852 1,871,467

Payments to Other Districts:

Tangible Personal Property Tax 6,555,379

Delinquent Tax 148,958

City Fees 158,809 6,863,146

Payments to Sheriff

2,026

Payments to County Attorney

303,957

Other Charges -

Refunds 6,196

Miscellaneous 32,167

Bad Checks 4,860 43,223

Total Expenditures

\$ 29,976,672

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
RODNEY ELDRIDGE, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
For The Year Ended December 31, 2007
(Continued)

Net Revenues		\$ 3,370,814
Payments to State Treasurer:		
75% Operating Fund	\$ 2,566,151	
25% County Fund	<u>804,663</u>	<u>3,370,814</u>
Balance Due at Completion of Audit		<u>\$</u>

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
 RODNEY ELDRIDGE, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2007

	75% Operating Fund	25% County Fund	Totals
	<hr/>	<hr/>	<hr/>
Fund Balance - January 1, 2007	\$	\$	\$
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	2,566,151		2,566,151
Fees Paid to State - County Funds (25%)	<hr/>	804,663	<hr/>
			804,663
Total Funds Available	<hr/>	<hr/>	<hr/>
	2,566,151	804,663	3,370,814
<u>Expenditures</u>			
Kenton County Fiscal Court		804,663	804,663
Personnel Services-			
Official's Salary	83,817		83,817
Official's Expense Allowance	3,600		3,600
Official's Training Incentive	846		846
Deputies' Salaries	1,360,257		1,360,257
Employee Benefits-			
Employer's Share Social Security	101,311		101,311
Employer's Share Retirement	198,341		198,341
Employer's Paid Health Insurance	309,165		309,165
Other Payroll Expenditures	5,993		5,993
Contracted Services-			
Computer Services	27,227		27,227
Materials and Supplies-			
Office Supplies	66,361		66,361
Other Charges-			
Conventions and Travel	260		260
Dues	6,500		6,500
Postage	28,422		28,422
Post Office Box Rental	339		339
Parking	13,720		13,720

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
 RODNEY ELDRIDGE, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2007
 (Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges- (Continued)			
Telephone	\$ 21,504	\$	\$ 21,504
Maintenance and Repairs	9,521		9,521
Liability Insurance	55,320		55,320
Drinking Water	977		977
Delivery Service	2,768		2,768
Miscellaneous	4,061		4,061
Advertising	839		839
Capital Outlay-			
Office Equipment	48,883		48,883
Total Expenditures	2,350,032	804,663	3,154,695
Fund Balance - December 31, 2007	\$ 216,119	\$	\$ 216,119

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2007

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

KENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The County's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

KENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Bankruptcy/Mechanic's Bond Account

The office of the County Clerk maintains a separate bank account for the receipt and disbursement of bankruptcies and mechanic's bonds. The January 1, 2007 balance, which was transferred from the former County Clerk, was \$26,520. Receipts during 2007 totaled \$8,335 and disbursements totaled \$23,950, leaving a balance of \$10,905 as of December 31, 2007.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ralph Drees, Kenton County Judge/Executive
Honorable Rodney Eldridge, Kenton County Clerk
Members of the Kenton County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Kenton County Clerk for the year ended December 31, 2007, and have issued our report thereon dated December 5, 2008. The County Clerk's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Kenton County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kenton County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Kenton County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The County Clerk's Office Should Reconcile Daily Branch Reconciliation Reports To The Monthly Receipts Ledger



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Kenton County Clerk's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Kenton County Clerk's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit the County Clerk's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Kenton County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

December 5, 2008

COMMENT AND RECOMMENDATION

KENTON COUNTY
RODNEY ELDRIDGE, COUNTY CLERK
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2007

INTERNAL CONTROL - MATERIAL WEAKNESS:

The County Clerk's Office Should Reconcile Daily Branch Reconciliation Reports To The Monthly Receipts Ledger

During the course of the audit, we discovered that the daily lien department branch reconciliation reports for January 2007 did not agree to the corresponding lien department accounts on the monthly ledger. Because of this error, there were overpayments to the following: the County was overpaid for deed transfer taxes; the State was overpaid for legal process taxes; and the County Clerk's fees and commissions were overpaid. These overpayments caused a deficit in the County Clerk's local bank account at December 31, 2007, which was not discovered until the audit.

The County Clerk has requested the appropriate refunds or has been given a credit against current monthly reports. Therefore, the effects of these overpayments have been corrected on the County Clerk's audited financial statements. We recommend in the future that the County Clerk's office properly reconcile all daily branch reconciliation reports to the monthly receipts ledger and ensure that the appropriate funds are being disbursed.

County Clerk's Response: All daily business is reconciled to the monthly ledger.

